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# PROGRESSIVE GROCER

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THE MAGAZINE OF SUPERMARKETING

MAY 1987

**Computer Usage for Profits: A New Dimension in Marketing**  
A new computer system gives shoppers at one Ukrops store a coupon-free  
way to save money and helps the company keep close tabs on its customers. .... 133



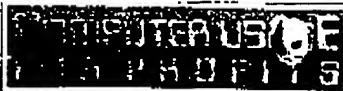
Value-added shoppers .... 133

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ARP VERA

By Ronald Tanner



# A New Dimension In Marketing

**A computer-based electronic couponing program will help Ukrop's to identify and market directly to steady customers.**

The marketing focus within the supermarket industry has always been on attracting competitors' customers. Programs to cultivate shopper loyalty have taken the back seat to marketing programs that use price, gimmicks and other methods to boost business.

Ukrop's, an 18-store chain based in Richmond, Va., does not believe that the traditional marketing approach of the supermarket industry is the best one. So when Citicorp POS Information Services and Post Systems International asked Ukrop's to be the guinea pig for a new program that could revolutionize the way that supermarkets attract customers, it decided to take a chance.

The program features a Valued Customer Card that provides shoppers with an account of coupons that are electronically debited, thereby allowing shoppers to save on purchases without clipping coupons. The card also permits the in-store computer to accumulate data on each customer's purchases, creating a databank that details what each customer buys.

With this information, Ukrop's can devise marketing and merchandising pro-

grams aimed at specific customer segments, instead of using the shotgun approach to marketing and advertising so prevalent in the industry.

"The manufacturers deliver coupons directly to consumers, the consumers save money, and we collect information to help target our marketing efforts," says James Ukrop, president. "This is a good deal for everybody."

The Valued Customer Program began on Feb. 2, when Ukrop's mailed a brochure explaining the program to 4,000 households within the marketing area of its Midlothian Turnpike store. A temporary identification card that could be used for immediate savings was included.

The materials were also available at the store, so consumers who had not responded to the mailing could sign up. Within one month, 6,500 permanent cards had been issued, a number equal to approximately 70% of the people who shop the 28,000-square-foot Midlothian Turnpike store. (Progressive Grocer estimates that the store does approximately \$250,000 in weekly volume.)

Each card contains a bar code that is



*Shoppers present the card first so electronic coupons will be debited.*

scanned to identify the customer. The cards allow shoppers to save on approximately 40 items monthly. According to Ukrop's officials, shoppers using the cards can save up to \$500 a year.

The card offers savings from 10 cents to \$1 on manufacturer and store products. Specials offered in March included 25 cents off on Old El Paso Thick and

Chunky Salsa, a 40-cent reduction on Fruit 'n Fibre Cereal, 30 cents off on Lay's Potato Chips, 40 cents off on Maxwell House Master Blend Coffee, and a \$1 reduction in the retail price of Ukrop's store-ground sausage.

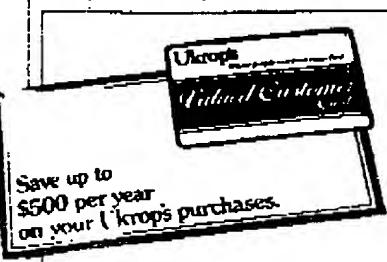
"We have had an extremely positive response from the manufacturers," says Nelson Melton, Ukrop's vice president of finance/administration. According to Melton, about 30 of the 40 manufacturers initially contacted agreed to participate in the experimental phase of the program. And he expects even greater participation in the future, as the local sales arms of the major food companies get headquarters' approval to participate.

Manufacturers are charged a \$50 monthly fee to have an item electronically listed, and, as occurs with coupons, they are charged an 8-cent handling charge each time the item is sold at the reduced price. The manufacturers are guaranteed exclusivity within a product line for each product listed. That is, Folger's Instant Coffee will not be listed if Maxwell House is.

"We offer exclusivity to manufacturers to give them a marketing advantage," says Carol Spivey, marketing specialist for Ukrop's. Exclusivity is granted on a first-come, first-serve basis. Several manufacturers have signed up through July, when the experimental phase of the program is scheduled for completion.

Ukrop's weekly specials, traditionally featured as coupons in a newspaper or in-store flyer, are automatically credited to customers presenting the Valued Customer Card. This eliminates the tedium of clipping, and cuts down dramatically on the amount of paper handled by checkers.

The massive sign-up of people for the Valued Customer Card is already aiding Ukrop's marketing efforts. Rather than



*Signs hanging in the aisles introduce shoppers to the program.*

## REBATES & FLYERS



*A station encourages shoppers to sign up for the Valued Customer Program.*

distributing flyers to the universe within the trade area of the Midlothian Turnpike store, Ukrop's can now limit mailings to consumers with Valued Customer Cards.

"This program has the potential to change the entire marketing thrust of supermarkets," says Don Irion, vice president of Citicorp POS Information Services, Stamford, Conn. "It allows grocers to cultivate shopper loyalty."

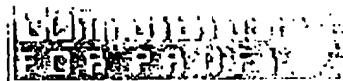
"Supermarkets have traditionally tried to increase sales by attracting more people to the stores, instead of by trying to make the customers they already have more loyal. The airlines have shown that frequent flyer programs based on rewarding loyal customers can be quite successful. There's no reason why that kind of program cannot work in the grocery industry."

Ukrop's also hopes that the cards will

provide a vehicle through which the company can get involved with electronic funds transfer. Says Ukrop, "This system will position us to implement EFT when people are ready for it."

A lot of technological work went into developing the software for Ukrop's Valued Customer Program. The system presently works only at a store with IBM scanners, an IBM minicomputer hosting the scanners, and Post Software.

The Valued Customer Program is the third in a series of software programs installed at the Ukrop's store. The original program, called "Superstore," uses the IBM system and Post Software to run the supermarket. In October 1986, Ukrop took on additional software that permitted the store to scan coupons. Coupon scanning was necessary for the Value



Customer Program to perform the tasks that Ukrop's demanded.

"Without coupon scanning, the computer could not decide what was the greatest savings—the electronic coupon or a paper coupon," explains Melton. "And that ability was important, so that we could show consumers that they were saving more with the cards."

Unlike paper coupons, which are normally debited after all products are scanned, the crediting of the electronic coupons occurs immediately after the couponed product is scanned. The price display shows customers that the coupon value is being subtracted from the retail price of the product. This savings is also highlighted on the receipt.

Every transaction is recorded in the computer's memory. This mass of information will eventually be tapped in a multitude of ways to help Ukrop's increase sales and profits. (The data will also be marketed to manufacturers to use any way that they desire.)



*Every transaction made with the Valued Customer Card is recorded in the computer.*

Ukrop's will know who buys what, and how often they purchase it. This data will be used to develop marketing programs aimed at a small segment of the consuming public, those whose specific purchase patterns the chain wishes to alter.

"This fall, we hope to figure out how Ukrop's can sell more storemade pizza," says Irion. "We will look at the customer base to see who buys both Ukrop's fresh pizza and frozen pizza. We then fragment consumers by their consumption patterns.

"We can develop a marketing plan for each segment of pizza buyer. Consumers who are regular Ukrop's pizza purchasers may receive a coupon for a free topping on the pizza of their choice. And people who buy pizza only once a month may be

tempted by a promotion that offers a free pizza if three other pizzas are purchased during the previous three weeks. People who buy frozen pizzas may be given a coupon that entitles them to a free storemade pizza."

Irion explains, "This will all be done through a direct mail statement, which will be the targeting vehicle. And the coupons will be electronic, so they are automatically credited when people purchase the promoted product. This marketing approach should be infinitely more successful than any in-store promotion."

If the program works as planned, the possibilities are endless. Used carefully, the information gathered could help grocers become premier marketers. ■

## Ukrop's Valued Customer Card

Automatic savings  
without clipping coupons

**FREE OFFER!**  
See details inside.

*A brochure mailed to people within the trade area offered a temporary card.*

### The Citicorp Connection

When you consider the feasibility of direct-mail marketing, one company's precisely targeted approach is instructive. Citicorp's experiment has been so successful that supermarket executives have asked for its secrets. Supermarket chains nationwide are beginning to realize the value of the program. In fact, technical people have been asked to install the system, so it can be used in other segments, using NCR and other supermarket ordering systems.

"Retailers have been asking us for information on how to implement a customer loyalty card," says Barry Shatzky, vice president of Citicorp POS Information Services, Stamford, Conn. "Our service provides information to retailers based on actual sales history to focus their efforts on the customers who are most likely to respond. When you know the right house-

holds, you can target them with the right offer. It's a win-win situation." Citicorp's success has been so great that supermarket executives have asked for its secrets. Supermarket chains nationwide are beginning to realize the value of the program. In fact, technical people have been asked to install the system, so it can be used in other segments, using NCR and other supermarket ordering systems. The price of the system has not yet been determined. But, as anybody familiar with the banking world knows, Citicorp seek a bottom-line number at the cost of any project. Revenue will be gathered primarily from the packaging of the information and fees that will be charged for the direct mailings.